

## CHAPTER 26: ADJUSTABLE RATE MORTGAGE POOLS AND LOAN PACKAGES — SPECIAL REQUIREMENTS

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### 26-1: OVERVIEW OF CHAPTER

This chapter describes special requirements that apply to a pool or loan package of adjustable rate mortgages (“ARMs”). The requirements described in this chapter may modify, supplement or in some cases repeat, for the purpose of emphasis, those set forth in previous chapters. Included among these changes are the following: mortgage eligibility, pool and loan package requirements, required pool and loan package submission documents, securities marketing disclosures, mortgage and security interest rates, and the administration of pools and loan packages.

Ginnie Mae will securitize eligible 1-Year ARMs and hybrid ARMs with initial fixed rate periods of 3-, 5-, 7-, and 10-years. The custom pool suffix may be “either C AR,” “C AT,” “C AF,” “C FT,” “C AS,” or “C AX,” while the multiple issuer pool suffix may be “M AR,” “M AQ,” “M AT,” “M AF,” “M FT,” “M AS,” or “M AX.” These pool and loan package types may collectively be referred to as “ARM” pools or loan packages.

ARM pools and loan packages may only be formed under the Ginnie Mae II MBS Program, but as indicated above, may be issued as either multiple issuer or custom pools.

An adjustable rate mortgage is a mortgage with an amortization schedule that provides for changes in monthly payments based on adjustments to the interest rate of the mortgage. There is a standard 1-Year ARM in which the interest rate is adjusted annually. In addition, “hybrid” ARMs include loans whose interest rates are contractually fixed for a pre-determined period, i.e., 3-, 5-, 7- or 10-years, and adjust annually thereafter. The interest rate on an ARM loan is adjusted periodically, based on changes to an index, i.e., the weekly average yield of U.S. Treasury securities, adjusted to a constant maturity of one year. This index is commonly referred to as the Constant Maturity Treasury (“CMT”) index.

Adjustable rate mortgage pool type designations are as follows:

“C AR” identifies a 1-Year ARM custom pool. The first interest adjustment date for each mortgage must occur at least one month, but not more than 18 months, after the first payment date on the mortgage. The first interest adjustment date for the securities must occur from one to 15 months after the issue date;

“M AR” identifies a 1-Year ARM multiple issuer pool or loan package. The first interest

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adjustment date for each mortgage must occur at least 12 months, but not more than 18 months, after the first payment date on the mortgage. The first interest adjustment date for the securities must occur from 13 to 15 months after the issue date;

“M AQ” identifies a 1-Year ARM multiple issuer pool or loan package. The first interest adjustment date for each mortgage must occur at least 12 months, but not more than 18 months, after the first payment date on the mortgage. The first interest adjustment date for the securities must occur exactly 12 months after the issue date, which must be on either January 1, April 1, July 1 or October 1;

“C AT” identifies a 3-Year hybrid ARM custom pool. The first interest adjustment date for each mortgage must occur at least 36 months, but not more than 42 months, after the first payment date on the mortgage. The security must be issued no later than 60 days before the first mortgage interest rate adjustment date;

“M AT” identifies a 3-Year hybrid ARM multiple issuer pool or loan package. The first interest adjustment date for each mortgage must occur at least 36 months, but not more than 42 months, after the first payment date on the mortgage. The first interest adjustment date for the securities must occur from 37 to 39 months after the issue date;

“C AF” identifies a 5-Year hybrid ARM custom pool with a “1/5” interest rate cap structure. The first interest adjustment date for each mortgage must occur at least 60 months, but not more than 66 months, after the first payment date on the mortgage. The security must be issued no later than 60 days before the first mortgage interest rate adjustment date;

“C FT” identifies a 5-Year hybrid ARM custom pool with a “2/6” interest rate cap structure. The first interest adjustment date for each mortgage must occur at least 60 months, but not more than 66 months, after the first payment date on the mortgage. The security

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must be issued no later than 60 days before the first mortgage interest rate adjustment date;

“M AF” identifies a 5-Year hybrid ARM multiple issuer pool or loan package with a “2/6” interest rate cap structure. The first interest adjustment date for each mortgage must occur at least 60 months, but not more than 66 months, after the first payment date on the mortgage. The first interest adjustment date for the securities must occur from 61 to 63 months after the issue date;

“M FT” identifies a 5-Year hybrid ARM multiple issuer pool or loan package with a “2/6” interest rate cap structure. The first interest adjustment date for each mortgage must occur at least 60 months, but not more than 66 months, after the first payment date on the mortgage. The first interest adjustment date for the securities must occur from 61 to 63 months after the issue date;

“C AS” identifies a 7-Year hybrid ARM custom pool. The first interest adjustment date for each mortgage must occur at least 84 months, but not more than 90 months, after the first payment date on the mortgage. The security must be issued no later than 60 days before the first mortgage interest rate adjustment date;

“M AS” identifies a 7-Year hybrid ARM multiple issuer pool or loan package. The first interest adjustment date for each mortgage must occur at least 84 months, but not more than 90 months, after the first payment date on the mortgage. The first interest adjustment date for the securities must occur from 85 to 87 months after the issue date;

“C AX” identifies a 10-Year hybrid ARM custom pool. The first interest adjustment date for each mortgage must occur at least 120 months, but not more than 126 months, after the first payment date on the mortgage. The security must be issued no later than 60 days before the first mortgage interest rate adjustment date;

“M AX” identifies a 10-Year hybrid ARM multiple issuer pool or loan package. The first interest adjustment date for each mortgage must occur at least 120 months, but not more than 126

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months, after the first payment date on the mortgage. The first interest adjustment date for the securities must occur from 121 to 123 months after the issue date.

### **26-2: MORTGAGE ELIGIBILITY, POOL AND LOAN PACKAGE REQUIREMENTS**

The mortgage eligibility, pool and loan package requirements that apply, with limited exceptions, to all pool types are found in Chapter 9. The mortgage, pool and loan package eligibility requirements for SF pools and loan packages found in Chapter 24 also apply to ARM pools and loan packages, except as modified in this section.

#### ***(A) Mortgage Eligibility Requirements***

- (1) Amortization: Each mortgage in a pool or loan package must provide for full repayment over the life of the loan in accordance with an amortization schedule that provides for periodic adjustments to principal and interest payments, based on changes in the interest rate index. Each adjusted payment must be sufficient to retire the remaining principal balance of the loan during the remaining life of the loan on a level monthly payment basis. ARM pools typically contain mortgages with 30-year maturities, and the underlying securities also reflect 30-year maturities. These pools may, however, also contain mortgages with maturities of 15, 20 and 25 year terms, so long as the following test of reasonable homogeneity is met:
  - (a) at least 90 percent of the original principal balance of each ARM pool or loan package must consist of mortgages with 30-year maturities.

An adjustable rate mortgage, unlike a fixed rate mortgage, does not require repayment in equal monthly installments throughout the term of the loan. Consequently, total payments over the entire amortization of an ARM loan may be higher or lower than the total payments of a fixed rate loan.

ARMs with buydown provisions are ineligible for pooling under the ARM program.

- (2) Initial mortgage interest rate: Each mortgage in a pool or loan package issued before July 1, 2003, must bear an initial rate of interest at least 50 basis points, but not more than 150 basis points, higher than the initial rate of interest on the related securities. Each

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mortgage in a pool or loan package issued on or after July 1, 2003, must bear an initial rate of interest at least 25 basis points, but not more than 75 basis points, higher than the initial rate of interest on the related securities.

- (3) Mortgage interest rate adjustments: Each mortgage in a pool or loan package must have the same interest rate adjustment date and payment adjustment date as every other mortgage in the pool or loan package. In addition, the interest rate adjustment dates and payment adjustment dates for a given pool or loan package must satisfy the requirements set forth in the following tables:

### ***MORTGAGE POOLING ELIGIBILITY REQUIREMENTS:***

#### **AR Multiple Issuer Pools:**

<b>ARM Type</b>	<b>Mortgages backing securities issued on the first day of:</b>	<b>Shall have an <b>initial interest adjustment</b> at least 12 months, but no more than 18 months, after the first payment date on:</b>	<b>Shall have <b>annual interest adjustments</b> thereafter on:</b>	<b>Shall always have <b>payment adjustments</b> one month later than the interest adjustments, on:</b>
1-Year M AR	Jan., Feb. Mar.,	April 1	April 1	May 1
	Apr., May, June,	July 1	July 1	August 1
	July, Aug., Sept.,	October 1	October 1	November 1
	Oct., Nov., Dec.	January 1	January 1	February 1

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### AQ Multiple Issuer Pools:

ARM Type	Mortgages backing securities issued on the first day of:	Shall have an <b>initial interest adjustment</b> at least 12 months, but no more than 18 months, after the first payment date on:	Shall have <b>annual interest adjustments</b> thereafter on:	Shall always have <b>payment adjustments</b> one month later than the interest adjustments, on:
1-Year M AQ	January	January 1	January 1	February 1
	April	April 1	April 1	May 1
	July	July 1	July 1	August 1
	October	October 1	October 1	November 1

### AT Multiple Issuer Pools:

ARM Type	Mortgages backing securities issued on the first day of:	Shall have an <b>initial interest adjustment</b> at least 36 months, but no more than 42 months, after the first payment date on:	Shall have <b>annual interest adjustments</b> thereafter on:	Shall always have <b>payment adjustments</b> one month later than the interest adjustments, on:
3-Year M AT	Jan., Feb. Mar.,	April 1	April 1	May 1
	Apr., May, June,	July 1	July 1	August 1
	July, Aug., Sept.,	October 1	October 1	November 1
	Oct., Nov., Dec.	January 1	January 1	February 1

### AF and FT Multiple Issuer Pools:

ARM Type	Mortgages backing securities issued on the first day of:	Shall have an <b>initial interest adjustment</b> at least 60 months, but no more than 66 months, after the first payment date on:	Shall have <b>annual interest adjustments</b> thereafter on:	Shall always have <b>payment adjustments</b> one month later than the interest adjustments, on:
5-Year M AF	Jan., Feb. Mar.,	April 1	April 1	May 1
&	Apr., May, June,	July 1	July 1	August 1
5-Year M FT	July, Aug., Sept.,	October 1	October 1	November 1
	Oct., Nov., Dec.	January 1	January 1	February 1

### AS Multiple Issuer Pools:

ARM Type	Mortgages backing securities issued on the first day of:	Shall have an <b>initial interest adjustment</b> at least 84 months, but not more than 90 months, after the first payment date on:	Shall have <b>annual interest adjustments</b> thereafter on:	Shall always have <b>payment adjustments</b> one month later than the interest adjustments, on:
7-Year M AS	Jan., Feb. Mar.,	April 1	April 1	May 1
	Apr., May, June,	July 1	July 1	August 1
	July, Aug., Sept.,	October 1	October 1	November 1
	Oct., Nov., Dec.	January 1	January 1	February 1

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### AX Multiple Issuer Pools:

ARM Type	Mortgages backing securities issued on the first day of:	Shall have an <b>initial interest adjustment</b> at least 120 months, but not more than 126 months, after the first payment date on:	Shall have <b>annual interest adjustments</b> thereafter on:	Shall always have <b>payment adjustments</b> one month later than the interest adjustments, on:
10-Year M AX	Jan., Feb. Mar.,	April 1	April 1	May 1
	Apr., May, June,	July 1	July 1	August 1
	July, Aug., Sept.,	October 1	October 1	November 1
	Oct., Nov., Dec.	January 1	January 1	February 1

### AR Custom Pools:

ARM Type	Mortgages backing securities issued on the first day of:	Shall have an <b>initial interest adjustment</b> at least 1 month, but no more than 18 months, after the first payment date on:	Shall have <b>annual interest adjustments</b> thereafter on:	Shall always have <b>payment adjustments</b> one month later than the interest adjustments, on:
1-Year C AR	Any month	April 1	April 1	May 1
		July 1	July 1	August 1
		October 1	October 1	November 1
		January 1	January 1	February 1

### AT Custom Pools:

ARM Type	Mortgages backing securities issued on the first day of:	Shall have an <b>initial interest adjustment</b> at least 36 months, but no more than 42 months, after the first payment date on:	Shall have <b>annual interest adjustments</b> thereafter on:	Shall always have <b>payment adjustments</b> one month later than the interest adjustments, on:
3-Year C AT	Any month	April 1	April 1	May 1
		July 1	July 1	August 1
		October 1	October 1	November 1
		January 1	January 1	February 1

### AF and FT Custom Pools:

ARM Type	Mortgages backing securities issued on the first day of:	Shall have an <b>initial interest adjustment</b> at least 60 months, but no more than 66 months, after the first payment date on:	Shall have <b>annual interest adjustments</b> thereafter on:	Shall always have <b>payment adjustments</b> one month later than the interest adjustments, on:
5-Year C AF	Any month	April 1	April 1	May 1
&		July 1	July 1	August 1
5-Year C FT		October 1	October 1	November 1
		January 1	January 1	February 1

### AS Custom Pools:

	Mortgages	Shall have an <b>initial</b>	Shall have	Shall always have
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ARM Type	backing securities issued on the first day of:	interest adjustment at least 84 months, but no more than 92 months, after the first payment date on:	annual interest adjustments thereafter on:	payment adjustments one month later than the interest adjustments, on:
7-Year C AS	Any month	April 1	April 1	May 1
		July 1	July 1	August 1
		October 1	October 1	November 1
		January 1	January 1	February 1

### AX Custom Pools:

ARM Type	Mortgages backing securities issued on the first day of:	Shall have an initial interest adjustment at least 120 months, but no more than 126 months, after the first payment date on:	Shall have annual interest adjustments thereafter on:	Shall always have payment adjustments one month later than the interest adjustments, on:
10-Year C AX	Any month	April 1	April 1	May 1
		July 1	July 1	August 1
		October 1	October 1	November 1
		January 1	January 1	February 1

(a) The index:

After the initial fixed rate period of a hybrid ARM, or, in the case of the 1-Year ARM, after the first year, the interest rate of each mortgage in an ARM pool or loan package must be subject to an annual adjustment, based on the published weekly average yield of U.S. Treasury securities, adjusted to a constant maturity of one year ("CMT"). This index is published in the Federal Reserve Statistical Release H.15, Selected Interest Rates, and is available on the internet at: [www.federalreserve.gov/releases/h15/#weekly](http://www.federalreserve.gov/releases/h15/#weekly). The issuer must apply the index, using the most recently published figure, 30 days prior to a mortgage interest rate adjustment. In all cases, the issuer must use an exact day count. For example, if a mortgage interest rate adjustment date falls on the 1<sup>st</sup> day of a month that is preceded by a 31-day month, the index determination date will be the 2<sup>nd</sup> day of the preceding month. Ginnie Mae will also periodically publish the applicable H.15 Release date for the quarterly interest rate adjustment dates on its website. These dates



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must be used when adjusting pool or loan package interest rates.

H.15 is published each Monday, unless that day is a federal holiday. If a Federal holiday falls on Monday, the H.15 is published on the following Tuesday. The release date, rather than the date on which the issuer receives the release, is considered to be the date that the publication is available to each issuer. If a release date and the index determination date coincide, the H.15 index value released on that date is considered to be available to an issuer, whether or not the issuer has actually received the H.15 data.

For example, if the day 30 days prior to an interest rate adjustment date is a Monday, the issuer must use the index rate contained in the H.15 released on that Monday in order to adjust the interest rate on the mortgages in a pool or loan package. This is true without regard to when the issuer actually receives the H.15 released on that Monday.

If the 30<sup>th</sup> day before an interest rate adjustment date falls on a Monday that is also a Federal holiday, and H.15 is not released until the following Tuesday, the issuer must use the index rate contained in the H.15 that was released on the preceding Monday.

- (b) Calculating adjustments:
  - (i) Each mortgage must provide for the initial and subsequent annual interest rate adjustments to be calculated by adding a “mortgage margin” to the published index and applying the rounding rule described in (iv) below.
  - (ii) The mortgage margin is the amount in basis points (“bps”) to be added to the published index in order to establish a mortgage interest rate adjustment. The loan originator establishes this mortgage margin. While the mortgage margin must always remain constant for the life of the loan, it is not necessary that every mortgage in a

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pool or loan package have the same mortgage margin. The mortgage margin must be at least 50 bps, but not more than 150 bps, greater than the security margin for pools issued before July 1, 2003, or at least 25 bps, but not more than 75 bps, for pools issued on or after July 1, 2003.

- (iii) The security margin may not be less than 100 bps nor more than 250 bps, and must be divisible by 50. The mortgage margin, therefore, may not be less than 150 bps, nor more than 400 bps, for pools issued before July 1, 2003, and may not be less than 125 bps, nor more than 325 bps for pools issued on or after July 1, 2003.
- (iv) The adjusted mortgage interest rate for one- and three-year ARM products must (a) never be more than one percentage point higher or lower than the immediately preceding interest rate on the mortgage, and must (b) never be more than five percentage points higher or lower than the initial interest rate on the mortgage. This is referred to as a “1/5” cap structure. The five-year ARM offers issuers the choice of two cap structure options: a “1/5,” or, a “2/6” structure. The “2/6” structure is identical to that used with the seven- and ten-year hybrid ARM products, on which the adjusted mortgage interest rate must (a) never be more than two percentage points higher or lower than the immediately preceding interest rate on the mortgage, and must (b) never exceed six percentage points higher or lower than the initial interest rate on the mortgage.
- (v) The rounding rule states that the new mortgage interest rate must always be rounded to the nearest  $\frac{1}{8}^{\text{th}}$  of a percentage point (0.125%). The rate, which is calculated by adding the

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mortgage margin to the published index, must be adjusted up or down to the nearest  $1/8^{\text{th}}$  of one percentage point, always making the calculation to three decimal places (e.g., 7.875).

- (4) **Issuer Responsibility:** It is the issuer's responsibility to originate or acquire mortgages with initial mortgage interest rates, interest rate adjustment dates and security margins that comply with all applicable mortgage eligibility requirements contained in this chapter.
- (5) **Adjustment date extensions ("waivers") for 1-Year ARMs only:** A mortgage may have a first interest rate adjustment date later than 18 months after the first payment date only in cases where an issuer has received prior written approval from the FHA or VA.

### ***(B) Pool and Loan Package Requirements***

ARM pools and loan packages may only be formed under the Ginnie Mae II MBS Program.

- (1) As of the issue date, (a) each custom pool, other than a pool formed pursuant to a Bond Finance Pool ("BFP"), must have an original principal balance of \$500,000 (\$250,000 if the pool was rejected for inclusion as a loan package in a multiple issuer pool in the preceding month) and (b) each multiple issuer loan package must have an original principal balance of \$250,000.
- (2) All mortgages in an ARM pool or loan package must satisfy the requirements for that pool type set forth in Section 26-1.
- (3) All mortgages in an ARM pool or loan package must be adjusted through changes in the mortgage interest rate and have (a) the same index (CMT) upon which the interest rate is based, and (b) the same index determination date for calculating the applicable index value.

After the initial fixed rate period, all interest rate adjustment dates must occur at 12 month intervals, and on one of the following four dates: January 1, April 1, July 1, or October 1.

### **26-3:REQUIRED DOCUMENTS**

The procedures and basic document requirements for submission of all pools and loan packages are found in

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Chapters 10, 11, and 13.

### (A) For Certification by Document Custodian

The loan documents required for initial and final certification of an ARM pool by the document custodian are the same as those discussed in Section 13-4. They are summarized in the following table:

DOCUMENT	FORM NUMBER	APPENDIX
<b>FOR INITIAL CERTIFICATION</b>		
Schedule of Pooled Mortgages	HUD 11706	III-7
Release of Security Interest, executed original, if applicable	HUD 11711A	III-5
Certification and Agreement, executed original	HUD 11711B	III-5
Original notes (or, in the case of modified loans, the original notes executed for the modifications) or other evidences of indebtedness, endorsed in blank, without recourse		
For nonprofit agency section 203(k) loans, FHA affordable housing program letters		
<b>FOR FINAL CERTIFICATION</b>		
Original recorded mortgages (or, in the case of modified loans, the recorded original mortgages, the related original notes, the modification agreements, and any required subordination agreements and/or title endorsements)		
All recorded interim assignments		
Evidence of good title (e.g., mortgage title insurance policies)		
Evidence of Mortgage Insurance Certificate ("MIC") for FHA loans pooled before July 1, 2003.		

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**(B) For  
Approval by  
PPA and Ginnie  
Mae**

The ARM pool and loan package documents required for approval by Ginnie Mae are the same as those discussed in Section 10-3, except as modified below.

- (1) References to "pool number" on all forms must include one of the following Pool Type suffix designations: "AQ," "AR," "AT," "AF," "FT," "AS," or "AX."
- (2) The Schedule of Subscribers and Ginnie Mae Guaranty Agreement, form HUD 11705 (Appendix III-6) must indicate in the block "Type of Issue" that the pool is to be either "C" or "M", and in the block "Pool Type" that the securities are to be "AQ", "AR", "AT", "AF", "FT," "AS" or "AX".
- (3) The Schedule of Pooled Mortgages, form HUD 11706 (Appendix III-7) must identify each of the loans by including in the column titled "FHA-VA-RHS-PIH Case Number" the complete agency designated number, including the code identifying each loan as an ARM. Also, and under the "Monthly Constant (P&I)" section, report only the fixed installment constant applicable to the payment for the first month the loan is in the pool.
- (4) If a custom pool is submitted in paper submission format, a Prospectus, form HUD 11772-II (Appendix IV-21), must be modified, if appropriate, in accordance with Section 24-2(B)(3)(c)(iii).
- (5) A BFP certification (Appendix III-12), if required, pursuant to Sections 26-2 and 24-2(B)(2).
- (6) If one or more 1-Yr ARMs has a first interest rate adjustment date more than 18 months after the first payment date on the mortgage, a copy of the FHA or VA letter ("waiver"), as applicable, approving an extension to the interest rate adjustment date for each such mortgage.

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The following table lists the pool and loan package documents required by the PPA for approval of ARM pools.

DOCUMENT NAME	FORM NUMBER	APPENDIX
Schedule of Subscribers and Ginnie Mae Guaranty Agreement	HUD 11705	III-6
Schedule of Pooled Mortgages	HUD 11706	III-7
Master Servicing Agreement	HUD 11707	III-1
Master Agreement for Servicer's Principal and Interest Custodial Account	HUD 11709	III-2
Master Agreement for Servicer's Escrow Custodial Account	HUD 11720	III-3
Master Custodial Agreement	HUD 11715	III-4
Prospectus (for custom pools submitted in paper format)	HUD 11772-II	IV-21
BFP certification, if required		III-12
FHA or VA approval letter for extension of interest rate adjustment date, if applicable		

### 26-4: THE SECURITIES AND MARKETING DISCLOSURE

Preparation and delivery of the securities through the depository are described in Chapter 12. The text of ARM securities held in certificated form is set forth in Appendix IV-26. A partial statement of the terms of ARM securities held in uncertificated form is set forth in Appendix IV-28. This section describes additional requirements for securities backed by ARM pools.

#### ***(A) Marketing Disclosure***

ARM securities must be clearly differentiated from other types of Ginnie Mae MBS in all forward market and other transactions. Therefore, and in all communications related to such transactions, issuers must clearly disclose that the securities to be delivered are backed by an ARM pool, and indicate the type of ARM product involved. Before delivery, issuers must obtain for their records and from each dealer or investor to which the issuer is selling securities, a confirmation statement that clearly discloses the nature of the pool underlying the securities to be delivered.

An issuer must retain these confirmation statements, as records, subject to Ginnie Mae's right of inspection.

The ARM securities are distinguishable from other Ginnie Mae MBS by the suffix "AQ," "AR," "AT," "AF," "FT," "AS," or "AX" in each certificate number.

#### ***(B) Securities Interest Rate***

Securities backed by ARM loans bear an interest rate that is

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adjusted periodically, as provided below in this section.

The issuer is responsible for calculating the periodic adjustments to the interest rate on the securities. The CPTA, however, will independently calculate the annual adjustment to the interest rate on the securities and the amounts due security holders thereafter.

- (1) Initial security interest rate: The initial interest rate on each issue of ARM securities will be established by the issuer,
- (2) Security margin: The security margin will be established by the issuer, but it may not be less than 100 bps, nor more than 250 bps, and must be divisible by 50. In addition, and for pools issued prior to July 1, 2003, the security margin must be at least 50 bps below, but not more than 150 bps below, the mortgage margin of every mortgage in the pool. For pools issued on or after July 1, 2003, the security margin must be at least 25 bps below, but not more than 75 bps below, the mortgage margin.
- (3) Security interest rate adjustment: Each issue of 1-Year ARM securities must have annual interest rate and payment adjustments. Each issue of hybrid ARM securities must have annual interest rate and payment adjustments after the initial fixed rate period. Each interest rate adjustment date and each payment adjustment date for an issue of securities must occur in compliance with the following tables:

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### SECURITY INTEREST RATE & PAYMENT ADJUSTMENTS:

#### AR Multiple Issuer Pools:

ARM Type	Securities issued on the first day of:	Shall have <u>initial interest adjustment</u> 13, 14, or 15 months later, on:	Shall have <u>annual security interest adjustments</u> thereafter on:	Shall always make adjusted interest payments to security holders on:
1-Year M AR	Jan., Feb., March	April 1	April 1	May 20
	April, May, June	July 1	July 1	Aug. 20
	July, Aug., Sept.	Oct. 1	Oct. 1	Nov. 20
	Oct., Nov., Dec.	Jan. 1	Jan. 1	Feb. 20

#### AQ Multiple Issuer Pools:

ARM Type	Securities issued on the first day of:	Shall have <u>initial security interest adjustment</u> 12 months later, on:	Shall have <u>annual security interest adjustments</u> thereafter on:	Shall always make adjusted interest payments to security holders on:
1-Year M AQ	January	Jan. 1	Jan. 1	Feb. 20
	April	April 1	April 1	May 20
	July	July 1	July 1	Aug. 20
	October	Oct. 1	Oct. 1	Nov. 20

#### AT Multiple Issuer Pools:

ARM Type	Securities issued on the first day of:	Shall have <u>initial security interest adjustment</u> 37, 38, or 39 months later, on:	Shall have an <u>annual security interest adjustment</u> thereafter on:	Shall always make adjusted interest payments to security holders on:
3-Year M AT	Jan., Feb., March	April 1	April 1	May 20
	April, May, June	July 1	July 1	Aug. 20
	July, Aug., Sept.	Oct. 1	Oct. 1	Nov. 20
	Oct., Nov., Dec.	Jan. 1	Jan. 1	Feb. 20



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### ***AF and FT Multiple Issuer Pools:***

ARM Type	Securities issued on the first day of:	Shall have an <u>initial security interest adjustment</u> 61, 62, or 63 months later, on:	Shall have an <u>annual security interest adjustment</u> thereafter on:	Shall always make adjusted interest payments to security holders on:
5-Year M AF	Jan., Feb., March	April 1	April 1	May 20
&	April, May, June	July 1	July 1	Aug. 20
5-Year M FT	July, Aug., Sept.	Oct. 1	Oct. 1	Nov. 20
	Oct., Nov., Dec.	Jan. 1	Jan. 1	Feb.20

### ***AS Multiple Issuer Pools:***

ARM Type	Securities issued on the first day of:	Shall have <u>initial security interest adjustment</u> 85, 86, or 87 months later, on:	Shall have an <u>annual security interest adjustment</u> thereafter on:	Shall always make adjusted interest payments to security holders on:
7-Year M AS	Jan., Feb., March	April 1	April 1	May 20
	April, May, June	July 1	July 1	Aug. 20
	July, Aug., Sept.	Oct. 1	Oct. 1	Nov. 20
	Oct., Nov., Dec.	Jan. 1	Jan. 1	Feb.20

### ***AX Multiple Issuer Pools:***

ARM Type	Securities issued on the first day of:	Shall have an <u>initial security interest adjustment</u> 121, 122, or 123 months later, on:	Shall have <u>annual security interest adjustments</u> thereafter on:	Shall always make adjusted interest payments to security holders on:
10-Year M AX	Jan., Feb., March	April 1	April 1	May 20
	April, May, June	July 1	July 1	Aug. 20
	July, Aug., Sept.	Oct. 1	Oct. 1	Nov. 20
	Oct., Nov., Dec.	Jan. 1	Jan. 1	Feb.20

## CHAPTER 26: ADJUSTABLE RATE MORTGAGE POOLS AND LOAN PACKAGES — SPECIAL REQUIREMENTS

### **AR Custom Pools:**

ARM Type	Securities issued in any month:	Shall have <u>initial security interest adjustment</u> at least one month but not more than 15 months on:	Shall have <u>annual security interest adjustments</u> thereafter on:	Shall always make adjusted interest payments to security holders on:
1-Year C AR		Jan. 1	Jan. 1	Feb.20
		April 1	April 1	May 20
		July 1	July 1	Aug. 20
		Oct. 1	Oct. 1	Nov. 20

### **AT Custom Pools:**

ARM Type	Securities issued in any month:	Shall have <u>initial security interest adjustment</u> at least 37 months, but not more than 39 months after, the first mortgage payment date. Adjustments to occur on one of the following quarters:	Shall have <u>annual interest adjustments</u> thereafter on:	Shall always make <u>adjusted interest payments</u> to security holders on:
3-Year C AT		April 1	April 1	May 20
		July 1	July 1	Aug. 20
		Oct. 1	Oct. 1	Nov. 20
		Jan. 1	Jan. 1	Feb.20

## CHAPTER 26: ADJUSTABLE RATE MORTGAGE POOLS AND LOAN PACKAGES — SPECIAL REQUIREMENTS

### *AF and FT Custom Pools:*

ARM Type	Securities issued in any month:	Shall have <u>initial security interest adjustment</u> at least 61 months, but not more than 63 months after first mortgage payment date. Adjustments to occur on one of the following quarters:	Shall have <u>annual interest adjustments</u> thereafter on:	Shall always make <u>adjusted interest payments</u> to security holders on:
5-Year C AF		April 1	April 1	May 20
& 5-Year M FT		July 1	July 1	Aug. 20
		Oct. 1	Oct. 1	Nov. 20
		Jan. 1	Jan. 1	Feb.20

### *AS Custom Pools:*

ARM Type	Securities issued in any month:	Shall have <u>initial security interest adjustment</u> at least 85 months, but not more than 87 months after, first mortgage payment date. Adjustments to occur on one of the following quarters:	Shall have <u>annual interest adjustments</u> thereafter on:	Shall always make <u>adjusted interest payments</u> to security holders on:
7-Year C AS		April 1	April 1	May 20
		July 1	July 1	Aug. 20
		Oct. 1	Oct. 1	Nov. 20
		Jan. 1	Jan. 1	Feb.20

## CHAPTER 26: ADJUSTABLE RATE MORTGAGE POOLS AND LOAN PACKAGES — SPECIAL REQUIREMENTS

### ***AX Custom Pools:***

ARM Type	Securities issued in any month:	Shall have <u>initial security interest adjustment</u> at least 121 months but not more than 123 months after first mortgage payment date. Adjustments to occur on one of the following quarters:	Shall have <u>annual interest adjustments</u> thereafter on:	Shall always make <u>adjusted interest payments to security holders</u> on:
10-Year C AX		April 1	April 1	May 20
		July 1	July 1	Aug. 20
		Oct. 1	Oct. 1	Nov. 20
		Jan. 1	Jan. 1	Feb. 20

Note: Custom Hybrid ARMs must be securitized no later than 60 days before the first mortgage interest rate adjustment date.

- (4) Index: Each issue of ARM securities must bear an interest rate that is adjusted based on the “CMT”. The CMT index is published weekly in the Federal Reserve Statistical Release H.15, Selected Interest Rates. The information may also be accessed online at the Federal Reserve website: [www.federalreserve.gov/releases/h15/#weekly](http://www.federalreserve.gov/releases/h15/#weekly). The procedure to determine which H.15 release date applies to a particular interest rate adjustment date is described in Section 26-2(A)(3)(a).

Note: The same H.15 release data used to determine an adjustment to the security interest rate must also be used to adjust the interest rates on the underlying mortgages.

- (5) Calculating adjustments: On the security interest rate adjustment date, the interest rate on the securities will be adjusted as follows:
- (a) The index will be determined using the figure most recently available on the day 30 days prior to the security interest rate adjustment date.
  - (b) The security margin must be added to the index, and the resulting sum must be rounded to the nearest 1/8<sup>th</sup> of a percentage point (0.125%).
  - (c) This calculated interest rate would be

## CHAPTER 26: ADJUSTABLE RATE MORTGAGE POOLS AND LOAN PACKAGES — SPECIAL REQUIREMENTS

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compared to the existing interest rate on the securities. When calculating the interest rate on the 1-, and 3-Year ARMs, if the calculated interest rate is not more than one percentage point higher or lower than the current interest rate, it becomes the adjusted interest rate on the securities. If the calculated interest rate is more than one percentage point higher or lower than the current interest rate, the interest rate that is one percentage point higher or lower than the current interest rate on the securities will become the adjusted interest rate on the securities. When determining the interest rate on a 5-Year ARM, the selected cap structure will dictate the proper calculation. If a 1/5-cap structure were utilized, the calculation would follow that described immediately above for 1- and 3-Year ARMs; however, if a 2/6-cap structure is selected, then it is appropriate to use the calculation described below for the 7- and 10-Year ARMs. When calculating the interest rate on the 7- and 10-Year ARMs, if the calculated interest rate is not more than two percentage points higher or lower than the current interest rate, it becomes the adjusted interest rate on the securities. If the calculated interest rate is more than two percentage points higher or lower than the current interest rate, the interest rate that is two percentage points higher or lower than the current interest rate on the securities will become the adjusted interest rate on the securities.

## CHAPTER 26: ADJUSTABLE RATE MORTGAGE POOLS AND LOAN PACKAGES — SPECIAL REQUIREMENTS

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### **26-5: POOL AND LOAN PACKAGE ADMINISTRATION**

For ARM pools and loan packages, issuers must prepare HUD form 11748-C (Appendix VI-6), and provide annual updates to the Ginnie Mae Reports Group. Specifically, issuers are required to report the change that will result in the Fixed Installment Control (FIC) due investors, based on changes to the interest rates borne by the mortgages. Each adjustment must be filed to reflect changes scheduled to occur during the following reporting month. For example, the March report will reflect the change to the FIC caused by interest rate changes scheduled to occur in April, etc.

The issuer must submit forms HUD 11748-C by either (a) magnetic tape, (b) compact disc (CD) or diskette, (c) the Ginnie Mae Data Exchange Bulletin Board System (BBS), or (d) the Issuer Web-based Issuer Information System (Web IIS) no later than the tenth calendar day of the month in which the report is required. Appendix VI-4 provides specifications and record layouts for these reporting media. The issuer must also maintain Form 11748-C for review by Ginnie Mae or its agent. If an issuer fails to apply those standards, and the failure results in repeated rejections of the issuer's reports, Ginnie Mae may, after adequate warning, apply program sanctions until appropriate compliance is met.